



United Comments

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Grain Highlights

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- This week Corn G/E conditions were up 2 point to 62% for the week. Major states .IL +4, IA -3, MN +1, NE -2, IN +4, KS +1, and MO +1. Silking stage was 99% of the crop vs 93% last week. Dough stage is 70% and 19% of the crop has dented vs 11% last week. Beans G/E conditions down 1% to 59% with IN +2%, KS -1%, OH +2%, IL -1%, IA -3, NE +3, and SD +2. Blooming stage is 94% of the crop vs 90% last week. Pod setting was at 78% of the crop vs 65% last week.
- Privately owned firm BF Bioenergia on Friday officially launched Brazil's 1st corn-only ethanol plant, located in Mato Grosso, with a capacity of 63.4 Mil. gal.) annually.
- Friday funds were estimated sellers of 12,000 corn contracts and trade feels are long 52,682 contracts after latest CFTC reports showed them a seller of 29,000 more than expected last week. Beans bought 5,000 contracts on Friday and are expected to be short 12,187 contracts after CFTC report showed then selling 25,000 more contracts than expected last week.
- On Friday FSA released their prevented planting numbers of 86.8 mil. on corn and 88.2 mil on beans. These will be lower than USDA acres due to not all acres in govt programs. Based on these numbers trade expects corn acres to be steady in future USDA reports, but feels beans acres may grow by .8 to 1.5 million acres.
- Exports last Thursday were very slow compared to last year but imply that we can meet present corn export projections and see beans exports raised by 25 mil bushels.
- China sells 150 tmt of 827 tmt offered today at the reserve auction. Transaction cost \$5.42/bu.
- China's Ag Ministry raises its corn import estimate for 2016 from .8 mmt to 1 mmt.
- Weekly ethanol production last week were 1.012 bil. bar./day, up 100 mil from previous week. Stocks were up 21 mil. If production stay at present levels, some in trade feel ethanol number could be raised by 25-50 million bushels.
- The Chinese Ministry of Environmental Production has been performing tough environment checks which has caused many of China's main soybean crushers to suspend operations last week. China could continue these tests until air quality improves and will cut into soybean usage.
- China imports 10.08 mmt of soybeans in July vs 7.76 a year ago. Imports to date are 76.96 mmt implying the program could be 93.5 mmt for the year. USDA has China plugged in for 91 mmt.
- Last Monday US bean exported into China were \$ 2/mt cheaper than Brazil for Oct/Nov/Dec delivery.
- Bean export inspection last week were above last weeks pace but still 50% of 2016 pace. Loading to date are 7.2 mmt ahead of last year. Strictly going off the inspection report, US will only need to ship .5 mmt per week to make USDA projections. Some in trade think we could see USDA raise exports by 25-50 mil. Corn export inspection were very close to the projected USDA numbers.
- Census exports of ethanol last week were largest net export figure since 2011, and exports, without accounting for imports, are the highest in history. Monthly production is exceeding the blend wall with as great a regularity as it did in 2011 leading to high exports. Ethanol imports are at their 4th highest on record as the non-corn based ethanol mandate grows with the RFSI requirements.
- Informa on 8/3 projected corn yield at 165.9 bu/acre on corn and beans at 47.3 bu/acre.
- FCStone released their production survey on 8/2 and projects corn yield at 162.8 bu/acre and beans at 47.7bu/acre. One thing to remember is that FCStone is projecting where they expect the final crop to be and USDA is estimating where the crop is at the time of their report. USDA has usually only lowered yield by 3-5 bushels from July to August on corn and 1-2 bushels on beans.

Technical Comments - December Corn

December broke out to the downside with a close below 3.7575 on 8/10. Downside target is 3.55 as long as the downtrend is in place. The downtrend will get nullified if the market can close above 3.85. An uptrend can begin with a close above 3.92.



CASH TALK:

2016/17 corn crop - Well prices sure have changed since the last newsletter. If you need to make sales before harvest, I would target 3.25-3.30 cash. That would be back to where we were before the USDA report. There are chances for this market to rally if the crop is smaller and a basis contract would provide some cash flow and let you catch a rally in futures.

2017/18 corn crop - I am in no hurry to make any sales for next year until we hear more on this years final yields or we reach 3.75 cash. Some of the research I have seen has mentioned December futures trading to 4.35 area, but may take until after Jan. 1 to reach that price. I am working on an accumulator that would guarantee 3.90 cash and would offer a 25 cents premium.

2016/17 bean crop - Hope you have sold most of last years beans, but if you have a few left I would target 9.00 cash. This bean crop in the field still could be anywhere from 45-50 bushel yield and hence we have a wide range of prices possible.

2017/18 bean crop - Same felling on beans as corn as there is many factors still be play out in S. America and in US still. I would be a selling of 10% if cash get to 9.50. I am working on an accumulator that would offer 9.75 cash and a 35-40 cents premium. Call me if interested.

Technical Comments - November Beans

The gap on November was covered at the 9.58-9.63 level six sessions ago which allowed the bearish momentum to build. Next target in the bear trend is the 9.10 level. If we close below that the next target is 8.80. The downtrend will last until the market can close above 9.88. An uptrend begins with a close above 10.00.



Tech Comments provided by Bevan Everett, Risk Management Consultant and Grains Market Analyst, INTL FCStone Financial Inc. – FCM Division This material should not be construed as the solicitation of trading strategies and/or services provided by the FCM Division of INTL FCStone Financial Inc. noted. The trading of derivatives such as futures and options on futures may not be suitable for all investors. Derivatives trading involves substantial risk of loss, and you should fully understand those risks prior to trading.



August 10th USDA Report

The USDA surprised everyone with larger than expected numbers in the report. The 2017/18 crop was projected at 14.153 billion bushels compared to trade thoughts of 13.855 bln bushels. The corn yield was estimated at 169.5 bu/acre compared to trade number of 166.2. USDA assumed ear counts will be 5th highest on record, higher than 2009 but lower than 2013-2016 (ear count maybe possible with the historical upswing in plant populations) and 3rd highest ear weight. Ear weights are the weakest link of the August report with the lack of corn maturity and smaller sample sizes. Another concern in trade is that any pollination problems would cause the ear count to struggle to be higher. This all with crop conditions being at 60% good/excellent compared to previous year over 70%. This made the projected carryout for 17/18 at 2.273 bln bushels after the July report putting out a 2.325 bln carryout. The problem is that trade was expecting carryout to be 2.003 bil, bushels. On the demand side, USDA cut both exports and feed usage by 25 mil. bushels, while keeping the ethanol number steady at 5.5 bln bushels. Estimates for 2016/17 were minimal with carryout called 2.37 bln bushels after July was at 2.37 bln. In regards to the yield, I feel USDA is too high on the yield when you consider all the precipitation that Iowa and other west corn belt states have missed. World carryout for 17/18 was 200.87 mmt, unchanged this month as well, with lower global demand for 2017/18 offsetting small production losses in the US (2.6 mmt) and EU (1.6 mmt). Brazil corn output did rise by 1.5 mmt this month.. Beans saw similar numbers with USDA estimating production for 2017/18 at 4.381 billion bushels compared to trade thoughts of 4.212 bln. The yield was projected at large yield of 49.4 bu/acre after July report calling it at 48.0 bu/acre. This made 2017/18 bean carryout at 475 million bushels when trade was expecting 424 mln. Demand for 2017/18 was increased by 75 mln on exports and crush was lowered by 10 mln. News for 2016/17 on beans was great with carryout being lowered to 370 mln due to crush being lowered 10 mln and exports up 50 mln bushels. The USDA number is possible if we get rains. Globally, reduced old crop demand leaves a 2.2 mmt higher 2017/18 carryin, with new crop carryout up 4.25 mmt thank to that beginning stocks figure, higher US production, lower overall crush demand. USDA didn't make any change in China import number for 2016 or 2017 even though big imports in 2016.

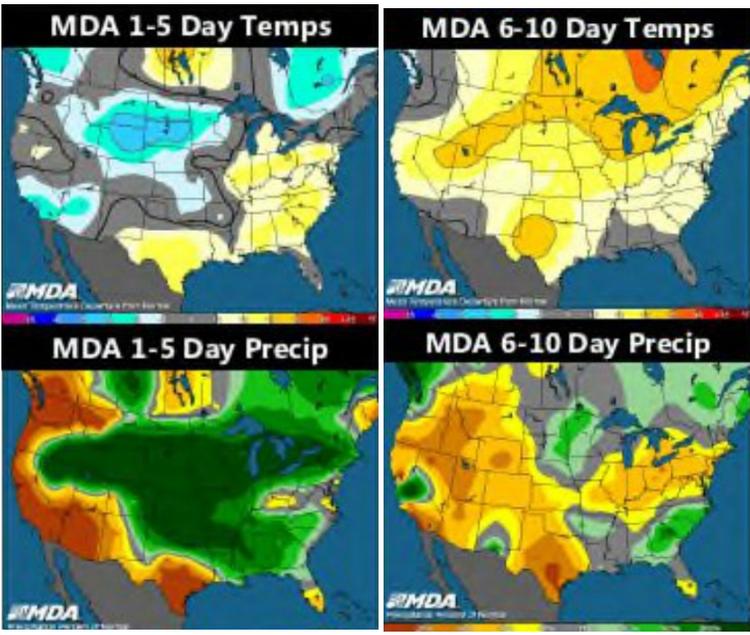
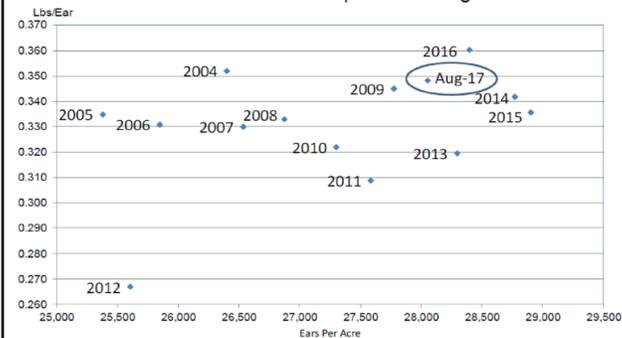
Weather Talk

Rains favored the northern, west central, and southern Plains, the Delta, and the far NE Midwest over the weekend. The heaviest rainfall occurred across southern North Dakota, central Nebraska, southern Oklahoma, and northern Texas. The rains improved soil moisture in the northern Plains, but stalled spring wheat harvesting. The rains in the Delta further boosted soil moisture, favoring soybeans, but slowing corn maturity. In the Midwest, dryness remains significant across most of Iowa, especially central and western areas. Wide spread rains are expected across the Plains, Midwest, and Delta this week, with some significant rainfall expected in Iowa. This should ease dryness some, favoring corn and soybeans, but more will be needed to end the dryness. Heat stress should remain very limited across the corn belt.

USDA Reasoning on Ear Weights for Report

A big driver of yields this year is the NASS's assertion on near record ear weights without ears being weighted. You can see in the graph below, NASS's 169.5 yield pushes the 10 state average ear weight to the 3rd highest in history with the 5th highest ear count. This is even with crop conditions being 60% G/EX. The exceptional weight of the ear vs planted population vs condition ratings seem well out of line with history. Research by FCStone shows that a 2% change in ear weight in Iowa alone could swing the Iowa yield by 4 bushels. Another question is if USDA current numbers relied heavily on minor state record production in order to prop up the major states.

Ears Per Acre vs. Implied Ear Weight



	Cash Price Comparison	
	Corn	
August 2016	Last Month	Current
\$2.84	\$3.27	\$3.15
	Beans	
August 2016	Last Month	Current
\$9.32	\$8.67	\$8.68